

§ 611.100

SOURCE: 37 FR 11415, June 7, 1972, unless otherwise noted.

Subpart A—General

SOURCE: 75 FR 18740, Apr. 12, 2010, unless otherwise noted.

§ 611.100 Definitions.

The following definitions apply for the purpose of this part:

(a) *Mail ballot* means a ballot cast by regular or electronic mail.

(b) *Online meeting* means a meeting that is conducted over the Internet through the use of mediating technologies, such as online services, computer hardware and software, etc., where technology is used to generate objects and environments that are presented to users through a number of senses (e.g., vision and hearing). The mediating technologies allow people or objects at remote locations to appear locally present or at least allow them to be treated that way during the course of the meeting.

(c) *Online meeting space* means an online environment where Farm Credit institutions can hold stockholder meetings that allow stockholders to communicate, collaborate, and share information. Any stockholder with the necessary technology requirements and access (e.g., password-protected meetings) must be allowed to connect to his or her institution's online meeting space.

(d) *Regional election* means the apportionment of a Farm Credit institution's territory into regions in which a director or directors from a region are elected only by those voting stockholders who reside or conduct agricultural or aquatic operations in that same region.

(e) *Stockholder-association* means an association within a Farm Credit bank district holding voting stock in that bank.

(f) *Stockholder-elected director* means a director who is elected by the majority vote of the voting stockholders voting to serve as a member of a Farm Credit institution's board of directors.

§ 611.110 Meetings of stockholders.

(a) *Requirement.* Associations must have annual meetings of stockholders

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for the purpose of conducting annual director elections. Farm Credit banks are encouraged to hold annual or periodic meetings of stockholders. The by-laws of each Farm Credit bank and association must specify the quorum requirements for stockholder meetings. Associations must elect at least one director at each annual meeting, but the vote on the election of a director or directors by mail ballot may only occur in the period following an annual meeting. An online meeting space may be used in addition to a physical meeting space to conduct a stockholders' meeting or director election. A physical meeting space must always exist for association meetings involving director elections and other stockholders' votes.

(b) *Notice.* Each association, and those Farm Credit banks holding annual meetings, must issue an Annual Meeting Information Statement in accordance with the requirements of §§ 620.20 and 620.21 of this chapter.

(c) *Online meeting.* Each Farm Credit bank and association using an online meeting space as part of a meeting or election must have policies and procedures in place addressing how the online meeting space will be accessed and used by participants. The policies and procedures must specifically identify any technological adaptations necessary to address the confidentiality and security in voting requirements of § 611.340.

Subpart B—Bank and Association Board of Directors

SOURCE: 71 FR 5761, Feb. 2, 2006, unless otherwise noted.

§ 611.210 Director qualifications and training.

(a) *Qualifications.* (1) Each bank and association board of directors must establish and maintain a policy identifying desirable director qualifications. The policy must explain the type and level of knowledge and experience desired for board members, explaining how the desired qualifications were identified. The policy must be periodically updated and provided to the institution's nominating committee.

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(2) Each Farm Credit institution board must have a director who is a financial expert. Boards of directors for associations with \$500 million or less in total assets as of January 1 of each year may satisfy this requirement by retaining an advisor who is a financial expert. The financial advisor must report to the board of directors and be free of any affiliation with the external auditor or institution management. A financial expert is one recognized as having education or experience in: Accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements.

(b) *Training.* Each bank and association board of directors must establish and maintain a policy for director training that includes appropriate implementing procedures. The policy must identify training areas supporting desired director qualifications. Each Farm Credit bank and association must require newly elected or appointed directors to complete director orientation training within 1 year of assuming their position and require incumbent directors to attend training periodically to advance their skills.

§611.220 Outside directors.

(a) *Eligibility, number and term.* (1) *Eligibility.* No candidate for an outside director position may be a director, officer, employee, agent, or stockholder of an institution in the Farm Credit System. Farm Credit banks and associations must make a reasonable effort to select outside directors possessing some or all of the desired director qualifications identified pursuant to §611.210(a) of this part.

(2) *Number.* Stockholder-elected directors must constitute at least 60 percent of the members of each institution's board.

(i) Each Farm Credit bank must have at least two outside directors.

(ii) Associations with total assets exceeding \$500 million as of January 1 of each year must have no fewer than two outside directors on the board. However, this requirement does not apply if

it causes the percent of stockholder-elected directors to be less than 75 percent of the board.

(iii) Associations with \$500 million or less in total assets as of January 1 of each year must have at least one outside director.

(3) *Terms of office.* Banks and associations may not establish a different term of office for outside directors than that established for stockholder-elected directors.

(b) *Removal.* Each institution must establish and maintain procedures for removal of outside directors. When the removal of an outside director is sought before the expiration of the outside director's term, the reason for removal must be documented. An institution's director removal procedures must allow for removal of an outside director by a majority vote of all voting stockholders voting, in person or by proxy, or by a two-thirds majority vote of the full board of directors. The outside director subject to the removal action is prohibited from voting in his or her own removal action.

Subpart C—Election of Directors and Other Voting Procedures

SOURCE: 53 FR 50392, Dec. 15, 1988, unless otherwise noted.

§611.310 Eligibility for membership on bank and association boards and subsequent employment.

(a) No person shall be eligible for membership on a bank or association board who is or has been, within 1 year preceding the date the term of office begins, a salaried officer or employee of any bank or association in the System.

(b) No bank or association director shall be eligible to continue to serve in that capacity and his or her office shall become vacant if after election as a member of the board, he or she becomes legally incompetent or is convicted of any criminal offense involving dishonesty or breach of trust or held liable in damages for fraud.

(c) No bank director shall, within 1 year after the date when he or she ceases to be a member of the board, serve as a salaried officer or employee of such bank, or any association with